

U.S. Embassy - Skopje

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INTERIOR MINISTRY FILES CHARGES AGAINST CENTRAL BANK'S FORMER GOVERNOR

The interior ministry charged Central Bank former Governor Ljube Trpeski with misusing his position, which resulted in damages for the foreign exchange reserves of US\$ 11.6 million. Trpeski is accused of approving guarantees to Export-Import Banka for two foreign loans in 2001 and 2002 totaling US\$ 22 million, despite being aware that the bank is in a poor financial condition. At the end, Export-Import Banka became insolvent and the loans had to be repaid by the Central Bank's foreign exchange reserves.

The police stated it has enough evidence for the court and expects Trpeski to be arrested. Charges were also pressed against the owner of the bank Metodija Smilenski, two high-level officials of the bankrupted bank and against the former director of ESM Lambe Arnaudov, all of which were involved in these transactions.

COLD MILL PRODUCTION RISES

For more than 10 days, the port in Thessaloniki and the Macedonian shippers are hardly satisfying Cold Mill's and Polukonti's needs owing to the abrupt increase in production after the two plants were transferred to the hands of Ispat, part of LNM Holding, the second best steel producer in the world.

"Vecer", referring to Ministry of Economy sources, informs that even though production in former Balkan Steel is not at full swing still, it is already seriously agitating industrial output indicators. According to official information the daily received at the Ministry of Economy, Ispat's plants, which participate with 16.4 percent in total industrial production, already started "distorting" the production picture.

Production in this part of Skopje's Steelworks increased by 128 percent in July in comparison to June, while July production is 37 per cent higher than average production of last year. So far, three Turkish ships left the Thessaloniki harbor loaded with Macedonian metal plates

intended for a number of East markets. Around 10,000 tons metal plates have been exported to Greece so far. Additional shipments have been sent to the Netherlands and some other markets. Following these data, the Ministry of Economy believes that there might be an additional distortion in the industrial output picture, or rather that positive spikes will appear.

PARLIAMENT PASSES LAW ON FINANCING OF MUNICIPALITIES

Parliament adopted the Law on financing of local self-government units on September 6, 2004. The law envisages establishment of entirely new financial relations between the central authorities and the local self-government, i.e. fiscal decentralization and establishment of balance between the local authorities and financial sources. The adoption of the law begins the implementation of the fiscal decentralization in two stages, beginning from January 1, 2005.

The initial stage will encompass reallocation of funds from the Central Budget and Funds' budgets. If municipalities fulfill the regulated conditions in a 24-month period, the freedom of deciding will be enlarged. In case municipalities create financial instability, they will be controlled by the state, i.e. Ministry of Finance and the Public Revenues Office.

Municipalities will fully manage property taxes, administrative and communal taxes, along with 3 percent from personal income tax. They will also acquire 3 percent from the VAT. According to the new law, municipalities will be able to perform functions in the field of education, culture and social protection, and at the same time be economically sustainable, having more funds than before.

A novelty in the law is that the local self-government units will be able to borrow domestically and abroad. The Ministry of Finance and the GOM would provide an opinion on the foreign loans. Calculations of the Ministry of Finance show that after January 1, 2005, the municipalities will have a total income of around Denar 13.3 billion.

"TRAFALGAR RESOURCES" OWNER OF MINES "ZLETOVO" AND "TORANICA"

U.S. company "Trafalgar Resources" was the only interested bidder at the tender for sale of lead-zinc mines "Zletovo" from Probistip" and "Toranica" from Kriva

Palanka. According to the financial offers, the company offered Euro 207,000 for "Zletovo" and Euro 830,000 for "Toranica".

The new owner undertook the obligation to restart production in 4-5 months. The submitted business plan for "Zletovo" promises investments in the first year of US\$ 5.5 million and at least 500 jobs. The investments for "Toranica" amounted at US\$ 6 million for the first year, and US\$ 5 million for the second year, as well as employment of at least 400 people.

"Trafalgar Resources" requires the state to cover all debts of "Zletovo" and to guarantee a 2.5 km security zone around the mine against possible strikes of unhappy former employees. In the offer for "Toranica", the US company agrees to pay the mine's mortgage.

The Board of Trustees of both mines have accepted the offers on September 21-22, 2004. "Our objectives are more than long-term ones, linked to the success of our company, but also to development of metallurgy, as well as the satisfaction and welfare of people that are part of this branch", the company's press release reads. The company says that it had already paid Euro 50,000 deposit, while the payment of the funds for the mines is ongoing.

KOMERCIJALNA BANKA WINNER OF AWARD OF BRITISH MAGAZINE THE BANKER

Komercijalna Banka Skopje is the Bank of the Year 2004 in Macedonia according to the British magazine The Banker. This prestigious award, which is annually awarded by the London-based banking-financial magazine, is determined on the basis of western criteria on banking standards. "Komercijalna Banka" won this award in 2001 and 2002, while the Director Dragoljub Arsovski will received this year's recognition at the ceremony organized in London.

Arsovski expressed his satisfaction, adding that the award helped in the raising of the bank's rating in the business and financial world. He pointed out that the assessment took into consideration several factors, such as financial results, bank's development strategy, position in the country's banking system, introduction of new technologies, as well as its human resources. Stressing that "Komercijalna Banka" has won this award three times and "Tutunska Banka" once, Arsovski stated that it would be useful if more Macedonian banks acquired this prestigious recognition.

NATIONAL STRATEGY FOR EURO-INTEGRATION PROMOTED

Macedonian Vice Prime Minister Radmila Sekerinska presented the National Strategy for Euro-Integration, which determines the main and long-standing directions of the country in the Euro-integration process. Sekerinska pointed out that the Strategy was a quality domestic product, prepared by 30 domestic experts, and commented and approved by additional experts. The strategy is developed in order to serve as a long-term concept, i.e. it refers to the period until Macedonia's accession in EU, but also afterwards", Sekerinska emphasized.

The Manager of the GOM's Euro-Integration Sector, Dragan Tilev referred to the main goals, chronology and structure of the National Strategy, stressing that it was a sign of the GOM's maturity on the road towards EU. The main objectives of the Strategy are reforms in the public administration and its coordination with the EU requests, provision of fiscal policy and budget planning, as well as access to the Union priorities through regular communication and open dialogue between the Government and the citizens.

Priority of the document is fulfillment of the political criteria, the second level are the economic and social criteria, which have to be completed according to EU standards, and the third one is the field of justice and internal affairs.

NBM WITH BANK CREDIT REGISTER

The National Bank of Macedonia (NBM) plans to create a register of all loans that commercial banks in Macedonia extend to legal entities and individuals. This is an obligation deriving from the latest amendments to NBM Law, while the decision for creation was brought by the Bank's Council on September 9, 2004.

The Council informs that the decision distinguishes between the type of information that the register should hold, while establishing the rights and duties of the National Bank, and all commercial banks and savings houses. The credit register is an instrument set to provide banks with data on total credit indebtedness and the average risk qualification of legal entities. These data should help the banks to evaluate credit arrangement risks, to increase security of both the financial institutions and the stability of the country's banking system.

EBRD LENDS 5 MILLION EURO TO MACEDONIAN IK BANK

The European Bank for Reconstruction and Development (EBRD) approved a 5 million euro (US\$ 6.1 million) medium-term funding to Macedonian Izvozno Kreditna Banka (IK Bank) for on-lending to local private small and medium-sized enterprises.

"Loan proceeds will be used to finance capital expenditure programs and related working capital needs," the EBRD said in a statement. It added that the project would support IK Bank in its further growth and market establishment as a bank dedicated to SMEs.

The EBRD is IK Bank's largest shareholder, holding 24 of the capital. The Macedonian bank has benefited from three technical cooperation projects with the EBRD, but no new technical cooperation is envisaged for the current project. The bank launched in June 2004 a scheme for a credit support to micro and small businesses from their start-up through three stages of transformation into a larger company. The bank offers its services in 310 offices of the country's postal monopoly Makedonski Posti, apart from its own 11 branches.

HELLENIC PETROLEUM AND GOM AGAINST WB PROPOSAL FOR CLOSING OKTA

Hellenic Petroleum, the Greek owner of OKTA oil refinery, and the GOM rejected the idea of the World Bank (WB) for closing down the company. In its latest report on the energy policy, the WB pointed out that the refinery is using obsolete technology and survives only because of import protection measures. That undermines the competitiveness of the Macedonian economy as 20 percent import duties are levied on imports of oil derivatives, the WB assessed.

A1 television quotes sources from the refinery saying that the WB has proposed the closure of OKTA at two meetings with representatives of the management, but the Greeks rejected the idea as unacceptable. Reportedly, the GOM advocates modernization rather than liquidation of the company.

SECOND ANNUAL NATIONAL CONFERENCE ON COMPETITIVENESS

"Only private sector is able to build strategy on competitiveness, while the government task is to direct the economic development through improvement of the

business climate simultaneously analyzing the private sector's needs and following the courses in the world economy," Minister of Economy Stevco Jakimovski said on September 30 at the Second Annual National Entrepreneurship and Competitiveness Conference. He reiterated the GOM's determination to support economic sectors which were devoted to break through the markets in the region, EU and the US, with quality products, services and management, increased productivity and competitiveness.

According to Jakimovski, the Government will carry out such support through legal regulation and mechanisms, which will direct the scarce financial funds of the state in organizing and participating in fairs and business forums.

Prime Minister Hari Kostov addressed the conference as well, saying that the competitiveness is significant not only for Macedonia's integration with EU, but also for Macedonia's economy at all.

US Ambassador to Macedonia Lawrence Butler pointed out to the entrepreneurs that they have opportunity to compete at the foreign markets. He considered that private sector would enable new jobs and resolve the problem of unemployment, which is significant part of resolving the political issues.